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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

|                                                     |                  |
|-----------------------------------------------------|------------------|
| OMB APPROVAL                                        |                  |
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/01/05 AND ENDING 09/30/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **JDL Securities Corporation**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

1001 Dove Street, Suite 160

Newport Beach

(No. and Street)

California

92660

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

J. Derek Lewis

(949) 752-5206

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Goodrich Baron Goodyear L.L.P.

(Name - if individual, state last, first, middle name)

6700 E. Pacific Coast Highway, Suite 255, Long Beach, California 90803

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

**MAR 28 2008**

**THOMSON  
FINANCIAL**

|                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------|
| SECURITIES AND EXCHANGE COMMISSION<br>RECEIVED<br>NOV 29 2006<br>BRANCH OF REGISTRATIONS<br>AND<br>EXAMINATIONS<br>04 |
|-----------------------------------------------------------------------------------------------------------------------|

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

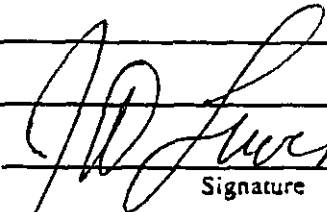
SEC 1410 (06-02)

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information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

# OATH OR AFFIRMATION

I, J. Derek Lewis, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JDL Securities Corporation, as of September 31, 20 06, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

N/A

  
Signature  
J. Derek Lewis, President  
Title

See Attached

Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Accounting Control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-3(e)(3).

**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

State of California

County of Orange

} ss.

☒ See Attached Document (Notary to cross out lines 1-6 below)☐ See Statement Below (Lines 1-5 to be completed only by document signer[s], *not* Notary)

1 \_\_\_\_\_  
2 \_\_\_\_\_  
3 \_\_\_\_\_  
4 \_\_\_\_\_  
5 \_\_\_\_\_  
6 \_\_\_\_\_

Signature of Document Signer No. 1      Signature of Document Signer No. 2 (if any)

Subscribed and sworn to (or affirmed) before me on this

17th day of October, 2006, by  
Date      Month      Year(1) J. Derek Lewis, President  
Name of Signer☒ Personally known to me☐ Proved to me on the basis of satisfactory evidence  
to be the person who appeared before me (.) (.)  
(and(2) N/A

Name of Signer

☐ Personally known to me☐ Proved to me on the basis of satisfactory evidence  
to be the person who appeared before me.)

Place Notary Seal Above

**OPTIONAL**

*Though the information below is not required by law, it may prove  
valuable to persons relying on the document and could prevent  
fraudulent removal and reattachment of this form to another document.*

**Further Description of Any Attached Document**Title or Type of Document: N/A

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**RIGHT THUMBPRINT  
OF SIGNER #1**

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**RIGHT THUMBPRINT  
OF SIGNER #2**

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## CONTENTS

|                                                                                        | <u>Page</u> |
|----------------------------------------------------------------------------------------|-------------|
| Independent Auditors' Report                                                           | 1           |
| Financial Statements:                                                                  |             |
| Statement of Financial Condition                                                       | 2           |
| Statement of Income (Loss)                                                             | 3           |
| Statement of Changes in Stockholder's Equity                                           | 4           |
| Statement of Cash Flows                                                                | 5           |
| Notes to Financial Statements                                                          | 6 - 8       |
| Additional Information:                                                                |             |
| Computation of Net Capital Pursuant to Rule 15c3 - 1                                   | 9           |
| Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3          | 10          |
| Information Relating to the Possession or Control Requirements Pursuant to Rule 15c3-3 | 11          |
| Report on Internal Control Structure                                                   | 12 - 13     |

# GOODRICH·BARON·GOODYEAR LLP

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

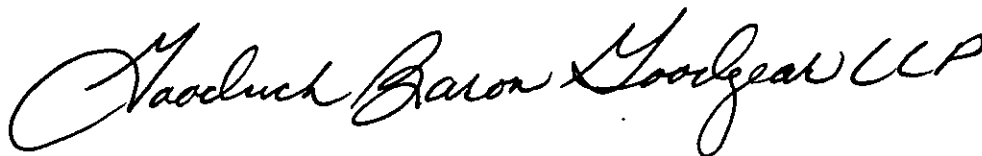
The Board of Directors  
JDL Securities Corporation  
Newport Beach, California

We have audited the accompanying statement of financial condition of JDL Securities Corporation as of September 30, 2006, and the related statements of income (loss), stockholder's equity, and cash flow for the year then ended. These financial statements are the responsibility of the Firm's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JDL Securities Corporation as of September 30, 2006, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Pages 9 - 11 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.



Long Beach, California  
October 17, 2006

**JDL SECURITIES CORPORATION**  
**STATEMENT OF FINANCIAL CONDITION**

SEPTEMBER 30, 2006

**ASSETS**

|                                          |    |                      |
|------------------------------------------|----|----------------------|
| Cash and cash equivalents:               |    |                      |
| Cash (including petty cash of \$110)     | \$ | 4,471                |
| Deposit - Clearing Agent - allowable     |    | 25,000               |
| Deposit - Clearing Agent - non-allowable |    | <u>196</u>           |
| Total cash and cash equivalents          |    | 29,667               |
| Receivables :                            |    |                      |
| Commissions-Clearing agent-allowable     | \$ | 937                  |
| Mutual fund concessions :                |    |                      |
| Under 30 days - allowable                |    | 2,952                |
| Over 30 days - non-allowable             |    | 800                  |
| Affiliate                                |    | <u>2,000</u>         |
| Total receivables                        |    | 6,689                |
| Other assets :                           |    |                      |
| NASDAQ stock                             |    | 9,072                |
| CRD account                              |    | 753                  |
| Software                                 |    | <u>7,500</u>         |
| Total other assets                       |    | <u>17,325</u>        |
| Total assets                             | \$ | <u><u>53,681</u></u> |

**LIABILITIES AND STOCKHOLDER'S EQUITY**

|                                                                                                        |    |                      |
|--------------------------------------------------------------------------------------------------------|----|----------------------|
| Liabilities :                                                                                          |    |                      |
| Accounts payable                                                                                       | \$ | 1,500                |
| Accrued expenses                                                                                       |    | 4,800                |
| Commissions payable - Settled trades                                                                   |    | 15,758               |
| Commissions payable - Trade not settled                                                                |    | <u>1,900</u>         |
| Total liabilities                                                                                      |    | 23,958               |
| Stockholder's equity:                                                                                  |    |                      |
| Common stock without par value;<br>authorized 100,000 shares; issued<br>and outstanding, 50,100 shares | \$ | 50,100               |
| Accumulated deficit                                                                                    |    | <u>(20,377)</u>      |
| Total stockholder's equity                                                                             |    | <u>29,723</u>        |
| Total liabilities and<br>stockholder's equity                                                          | \$ | <u><u>53,681</u></u> |

The accompanying notes are an integral part of these financial statements.

**JDL SECURITIES CORPORATION**  
**STATEMENT OF INCOME (LOSS)**

YEAR ENDED SEPTEMBER 30, 2006

Revenues :

|                                         |              |
|-----------------------------------------|--------------|
| Commissions and concessions             | \$ 1,372,532 |
| Interest                                | 6,657        |
| Unrealized gain - marketable securities | <u>1,467</u> |
| Total revenues                          | 1,380,656    |

Expenses:

|                                      |                   |
|--------------------------------------|-------------------|
| Advertising and promotion            | \$ 3,835          |
| Travel                               | 5,274             |
| Meals and entertainment              | 12,673            |
| Commissions                          | 671,945           |
| Data processing                      | 9,399             |
| Overhead costs                       | 19,200            |
| Office supplies and printing         | 19,263            |
| Postage and courier                  | 12,095            |
| Professional fees                    | 25,805            |
| Regulatory fees                      | 4,682             |
| Rent and leases                      | 50,107            |
| Equipment rent                       | 4,883             |
| Maintenance                          | 14,734            |
| Telephone                            | 6,379             |
| Quote services                       | 6,086             |
| Clearing broker fees                 | 46,918            |
| Salaries, wages and employee benefit | 400,850           |
| Payroll taxes                        | 45,024            |
| Insurance                            | 1,370             |
| Taxes and licenses                   | 2,698             |
| Dues and subscription                | 12,812            |
| Community relations                  | 3,500             |
| Other expense                        | <u>10,619</u>     |
| Total expenses                       | <u>1,390,151</u>  |
| Net loss                             | \$ <u>(9,495)</u> |

The accompanying notes are an integral part of these financial statements.

**JDL SECURITIES CORPORATION**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**

YEAR ENDED SEPTEMBER 30, 2006

|                                                   |    | <u>Common<br/>Stock</u> | <u>Retained<br/>Earnings</u> | <u>Total</u>   |
|---------------------------------------------------|----|-------------------------|------------------------------|----------------|
| Balance at September 30, 2006                     | \$ | 50,100                  | (10,882)                     | 39,218         |
| Net loss for the year<br>ended September 30, 2006 |    | <u>-</u>                | <u>(9,495)</u>               | <u>(9,495)</u> |
| Balance at September 30, 2006                     | \$ | <u>50,100</u>           | <u>(20,377)</u>              | <u>29,723</u>  |

The accompanying notes are an integral part of these financial statements.



**JDL SECURITIES CORPORATION**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED SEPTEMBER 30, 2006

|                                                                                |                |                  |
|--------------------------------------------------------------------------------|----------------|------------------|
| Cash flows from operating activities:                                          |                |                  |
| Net Income (Loss)                                                              |                | \$ (9,495)       |
| Adjustments to reconcile net income to net cash used for operating activities: |                |                  |
| Unrealized gain on investments                                                 | \$ (1,467)     |                  |
| Decrease in receivables                                                        | 3,565          |                  |
| Increase in CRD deposits                                                       | (563)          |                  |
| Increase in commissions and concessions payable                                | <u>12,188</u>  |                  |
| Total adjustments                                                              |                | <u>13,723</u>    |
| Net cash flows provided by operating activities                                |                | 4,228            |
| Cash flows from investing activities                                           |                |                  |
| Funds advanced to affiliate                                                    | (2,000)        |                  |
| Purchase of Software                                                           | <u>(7,500)</u> |                  |
| Net cash flows used for financing activities                                   |                | (9,500)          |
| Cash flows from financing activities                                           |                | <u>-</u>         |
| Net increase in cash and cash equivalents                                      |                | (5,272)          |
| Cash and cash equivalents at beginning of period                               |                | <u>34,939</u>    |
| Cash and cash equivalents at end of period                                     |                | <u>\$ 29,667</u> |

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

|                                                |             |
|------------------------------------------------|-------------|
| Cash paid during the year for income taxes     | \$ <u>-</u> |
| Cash paid during the year for interest expense | \$ <u>-</u> |

The accompanying notes are an integral part of these financial statements.

**JDL SECURITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2006

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

The Firm is a California corporation that is a securities broker-dealer and a wholly-owned subsidiary of J. Derek Lewis & Associates, Inc., a registered investment advisor registered with the State of California, Department of Corporations. The Firm is subject to a minimum net capital requirement of \$ 5,000 pursuant to SEC Rule 15c3-1 and operates pursuant to the (K) (2) (ii) exemptive provisions of SEC Rule 15c3-3. The Firm is an introducing broker/dealer and clears transactions with and for customers on a fully-disclosed basis through a clearing agent. The Firm's primary business consists of mutual funds. The Firm promptly transmits all customer funds and/or securities to its clearing firm, or to the mutual fund issuer. The Firm does not hold customer funds or securities. The Firm requires no collateral for its trade receivables.

**Method of Accounting**

The Firm maintains its books and records on the accrual basis of accounting and uses the trade date basis for recording all securities transactions.

**SIPC**

The SIPC assessment has been determined fairly in accordance with applicable instructions and was remitted timely.

**Cash Equivalents**

For purposes of the statement of cash flows, the Firm considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Software**

The Company's policy is to amortize software over its estimated useful life of three years beginning at the date the software is actively placed into use which will be during the fiscal year ending September 30, 2007.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(2) MARKETABLE SECURITIES**

Marketable securities, which consist solely of NASDAQ securities, are held in the regular course of the Company's business and are classified as trading securities. These securities are recorded at their fair value and the change in fair value during the year is included in income.

**JDL SECURITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

SEPTEMBER 30, 2006

**(3) INCOME TAXES**

The Firm files consolidated income tax returns with its parent and is allocated a portion of the total consolidated income tax liability. No tax provision has been recorded for the subsidiary at September 30, 2006. The Federal and California tax allocable to the broker/dealer for the current year is not material and will be paid by the parent corporation. The minimum California tax was paid by the parent and has not been provided for on the broker/dealer as it also is not material.

The Firm accounts for its income taxes per the requirements of Financial Accounting Standard No. 109 (FAS 109), Accounting for Income Taxes, which is an asset and liability approach. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of other assets and liabilities. There were no material deferred taxes at either the beginning of the year or the end of the year.

**(4) COMMISSION AND CONCESSION REVENUE**

Included in commission and concession revenue in the accompanying statement of income are the following:

|                                                 |                     |
|-------------------------------------------------|---------------------|
| Commissions - Clearing agent                    | \$ 100,473          |
| Commissions - Muni bonds                        | 1,500               |
| Concessions - Direct/Mutual Funds               | 317,808             |
| Concessions - Trails/Mutual Funds               | 261,571             |
| Section 12B(1) fees                             | 562,787             |
| Other income - fees and commissions from parent | <u>128,393</u>      |
| Total                                           | <u>\$ 1,372,532</u> |

Included as part of "Commissions - Clearing agent" are commissions from the following:

|                           |                  |
|---------------------------|------------------|
| Listed/OTC                | \$ <u>42,110</u> |
| Third Market Transactions | \$ <u>55,887</u> |
| Muni's                    | \$ <u>1,350</u>  |
| Other                     | \$ <u>2,626</u>  |

**(5) RELATED PARTY TRANSACTIONS**

Included in commission revenue are amounts received from transactions with related parties (family members) totaling \$315.

The Firm had an expense agreement with its parent whereby the Firm reimbursed its parent for the rental value of all furniture, equipment and leaseholds used and overhead administrative charges for other shared costs such as office supplies and outside services which are initially borne by the parent. A total of \$19,200 was paid under this agreement during the year. However, the Firm has terminated such arrangement and is currently paying directly for all required services.

**JDL SECURITIES CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

SEPTEMBER 30, 2006

**(6) RENTAL OF OFFICE SPACE**

The Firm has entered into a month-to-month agreement with its parent, J. Derek Lewis & Associates, whereby the Firm will pay rent in an amount equal to lease costs incurred by the parent for office space. Total rental expense amounted to \$50,107 for the fiscal year ended September 30, 2006.

**(7) RETIREMENT PLAN**

The Company sponsors a Simplified Employee Pension Plan which is available to all employees who have reached the minimum age requirement of twenty-one and have provided service for at least one year. Under the plan, employees may elect to defer up to fifteen percent of their compensation. The Company at its discretion may elect to participate up to twenty five percent of compensation with a maximum of \$40,000 per individual. Under the plan, vesting is immediate. During the year, the Company contributed \$53,031 to the plan. This amount is included in the statement of income under the caption "Salaries, wages and employee benefits".

**(8) NET CAPITAL**

The Firm is subject to a \$5,000 minimum capital requirement pursuant to SEC Rule 15c3 - 1. The ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis. As of September 30, 2006, the net capital was \$17,004, which exceeded the required minimum capital by \$12,004, and the aggregate indebtedness to net capital ratio was 1.41 to 1.

**JDL SECURITIES CORPORATION**  
**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1**

SEPTEMBER 30, 2006

|                                                    |              |                  |
|----------------------------------------------------|--------------|------------------|
| Total equity from statement of financial condition |              | \$ 29,723        |
| Less non-allowable assets:                         |              |                  |
| Petty cash                                         | \$ 110       |                  |
| Clearing deposit - interest                        | 196          |                  |
| Mutual fund concessions over 30 days               | 800          |                  |
| Receivable from affiliate                          | 2,000        |                  |
| CRD deposit                                        | 753          |                  |
| Software                                           | <u>7,500</u> | <u>(11,359)</u>  |
| Net capital before haircut                         |              | 18,364           |
| Haircut - NASDAQ securities @ 15%                  |              | <u>(1,360)</u>   |
| Net capital                                        |              | \$ <u>17,004</u> |

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

|                                                                                                           |                  |
|-----------------------------------------------------------------------------------------------------------|------------------|
| Minimum net capital required<br>(6 - 2/3 % of aggregate indebtedness<br>or \$5,000, whichever is greater) | \$ <u>5,000</u>  |
| Net capital from above                                                                                    | \$ <u>17,004</u> |
| Excess net capital                                                                                        | \$ <u>12,004</u> |

COMPUTATION OF RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL

|                                                                                        |                  |
|----------------------------------------------------------------------------------------|------------------|
| Total liabilities (aggregate indebtedness)                                             | \$ <u>23,958</u> |
| Ratio of aggregate indebtedness to net capital                                         | <u>1.41 to 1</u> |
| Percentage of debt to debt-equity total<br>computed in accordance with Rule 15c3-1 (d) | <u>N/A</u>       |

The computation of net capital as reported in the unaudited Part IIA filing agrees with the audited net capital as reported above.

**JDL SECURITIES CORPORATION**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**PURSUANT TO RULE 15c3-3**

**SEPTEMBER 30, 2006**

Not Applicable - The Company is exempt pursuant to the (k)(2)(ii) exemptive provision of SEC Rule 15c3-3 and does not hold customer funds or securities.

**JDL SECURITIES CORPORATION**  
**INFORMATION RELATING TO THE POSSESSION**  
**OR CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3**

SEPTEMBER 30, 2006

Not Applicable - The Company is exempt pursuant to the (k)(2)(ii) exemptive provision of SEC Rule 15c3-3 and does not hold customer funds or securities.

# GOODRICH·BARON·GOODYEAR LLP

*Certified Public Accountants*

The Board of Directors  
JDL Securities Corporation  
Newport Beach, California

In planning and performing our audit of the financial statements of JDL Securities Corporation for the year ended September 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5 (g)(1) of the Securities Exchange Commission, we have made a study of the practices and procedures followed by JDL Securities Corporation including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the firm does not hold customer securities or funds nor performs custodial functions relating to customer securities, we did not review the practices and procedures followed by the Firm in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons;
- 2) Recordation of differences required by Rule 17a-13.

The management of the Firm is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Firm has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal accounting control structure or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.



We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Firms practices and procedures were adequate at September 30, 2006, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

*Goodrich Bacon Gooden, LLP*

Long Beach, California  
October 17, 2006

**END**